Congressman Tim Bishop
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BISHOP CALLS TAX PANEL'S RECOMMENDATION 'NON-STARTER'

Congressman Vows to Fight Any Plan to End Deductions for State and Local Tax, Mortgage Interest

WASHINGTON, DC-Congressman Tim Bishop today vowed to fight a controversial proposal that would eliminate deductions for state and local taxes as well as lower the deduction on mortgage interest.

"These deductions are at the heart of making Long Island affordable for middle-class families," Bishop said. "Any tax package which eliminates these deductions is a non-starter for me and many of my colleagues in both parties."

The recommendations are part of a proposal released by the President's Advisory Panel on Federal Tax Reform. The commission was formed by President Bush to overhaul tax policy. On November 1, the panel presented its recommendations to Treasury Secretary John Snow, who will then work on a proposal, which can be debated in Congress.

The advisory panel also recommended a repeal of the state and local tax deduction. New York State would be one of, if not the most negatively impacted states were this deduction repealed. There has been bipartisan opposition to these proposals. Bishop joined colleagues from the New York delegation, including Republican Reps. Peter King and Vito Fossella, in sending a letter to Secretary Snow, urging him to reject any recommendations to eliminate those vital deductions.

However, Bishop applauded the panel's recommendation abolishing the Alternative Minimum Tax (AMT). Bishop has for years been a leader in calling for the elimination of the AMT, which was originally intended to make sure the wealthiest paid taxes, and now instead eliminates deductions for many middle-class families.

"Eliminating the Alternative Minimum Tax is the most important thing we can do to help middle-class taxpayers," Bishop said. "The fact that this panel called for eliminating the AMT makes it even more important to get some of these bad ideas out of the way so we can pass a tax reform package that helps middle-class families."

More than 3 million New Yorkers deducted their state and local taxes last year, saving an estimated $24 billion. Reducing or eliminating the mortgage interest deduction would also have a particularly negative impact on high cost-of-living areas like Long Island, where average home prices are $400,000 in Suffolk County and $500,000 in Nassau County. Current tax law permits deductions on interest payments on the first $1 million of mortgage debt, which the panel recommends cutting by approximately 60 to 75 percent, depending on region.

Bishop points out that the President's tax panel was not tasked with reducing taxes, but rather to streamline and create a simpler, user-friendlier tax code. However, many of the proposals, such as decreasing the number of tax brackets at the highest income levels disproportionately favor the wealthy, while redistributing the tax burden on an already overwhelmed middle-class.

"The tax burden in this country must be shared by all," Bishop stated. "These recommendations, taken as a whole, reduce the burden on the top-tier of taxpayers, while increasing the load on hard-working Long Island families who have come to rely on many of the same deductions to make end's meet that the President's panel wants to take away."

The delegation circulated the letter today on Capitol Hill. A copy of the letter is attached.

The Honorable John Snow
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Snow:

The President's Advisory Panel on Federal Tax Reform has developed many ideas for reform of the tax code; a much needed project of critical importance to the economy. However we, the members of the New York State Congressional Delegation, must voice our opposition to two options considered by the panel - the elimination of the deduction for state and local taxes and the elimination of the mortgage deduction. Come tax time our constituents, who endure high tax rates and real estate costs relative to most other states, depend on these deductions to level the playing field.

The deduction for state and local tax has existed since the implementation of the federal income tax in 1913. In 2003 this deduction was exercised by nearly 36 million US taxpayers and more than 3 million people from New York State. Therefore we must oppose any suggestion to eliminate the deduction for state and local taxes, which is a major factor in alleviating the tax burden that is imposed at the federal, state and local levels. The amounts claimed from this deduction are similarly impressive: again in 2003, over $183 billion (and over $24 billion by New Yorkers) was saved by the exercise of this provision. This deduction acts as a crucial point of balance in states with relatively high income taxes, like New York, and should be preserved.

Secondly, it is a terrible mistake to consider any proposal that would eliminate or gut the mortgage deduction. Such a move would have twin consequences, each of which could potentially slow our economy. Eliminating the deduction would be, all by itself, a tax hike of enormous proportions, estimated at $434 billion dollars over the next five years.

This leads into the second major consequence, a sucker punch to the housing market. Many analysts believe it was the upswing in the real estate market, which saved our economy from a more serious and longer-lasting recession in recent years. Suddenly pouring cold water on the ability of potential first time homebuyers to own a home could have devastating effects to the economy at large. Owning one's own home is a part of the American dream, and damaging that ability is simply a nonstarter. We currently have the highest rate of homeownership (68.1%) in our nation's history. This is an achievement we must preserve and build upon.

We urge you to reject any recommendation by the Panel that would eliminate or even cut the deductions for mortgage interest and for state and local taxes. These deductions come as a saving grace to the New York families that we represent. Come April 15th, keeping these provisions ensure they can receive, and not have to send, a check from the federal government.

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